

BEFORE THE IDAHO BOARD OF TAX APPEALS

IN THE MATTER OF THE APPEAL OF RICHARD W.	)	APPEAL NO. 06-A-2467
HOYLE from the decision of the Board of Equalization	)	FINAL DECISION
of Valley County for tax year 2006.	)	AND ORDER

**COMMERCIAL PROPERTY APPEAL**

THIS MATTER came on for hearing November 28, 2006, in Cascade, Idaho, before Hearing Officer Steve Wallace. Board Members Lyle R. Cobbs and David E. Kinghorn participated in this decision. With pre-notice Appellant did not attend the hearing and submitted written materials for consideration. Assessor Karen Campbell and Chief Deputy Assessor Deedee Gossi appeared for Respondent Valley County. This appeal is taken from a decision of the Valley County Board of Equalization denying the protest of the valuation for taxing purposes of property described as Parcel No. RPM00000087997A. There are strong similarities between this case and another in Appeal No. 06-A-2468. The two distinct assessments were nonetheless independently considered.

**The issue on appeal is the market value of a commercial property.**

**The decision of the Valley County Board of Equalization is modified.**

FINDINGS OF FACT

The assessed land value is \$454,950, and the improvements' valuation is \$270,580, totaling \$725,530. Appellant requests the land value be reduced to \$235,620, and the improvements' value be reduced to \$197,150, totaling \$432,770.

The subject property is commonly known as the Brundage Bungalows. There are seven rental cottages and one rental house. The property is located across Highway 55 from Payette Lake and a City Park.

Subject's assessed value increased in 2006 over the 2005 assessment. Appellant contends the "property value did not increase by 70%" in one year "because the income actually

decreased a little.” Annual income figures were provided from 2004 and 2005. A summary of the income information follows.

	Total Income	Total Expenses	Net Income (loss)
2004	\$102,424	\$187,728	(\$85,305)
2005	\$98,685	142,431	(\$43,746)

Appellant included property taxes within total expenses. Repair and maintenance expenses include some costs that are actually capital improvements. The Board understands the above information was offered to demonstrate property net income did not increase proportionate to the 2006 assessed value increase.

Respondent noted analysis of improved commercial sales in Valley County revealed assessment levels had fallen to 51% of average selling prices. Subject together with other McCall commercial property was revalued for the 2006 tax year resulting in average assessment levels near 88%. Both land and improvement values increased.

In support of subject's land value, four vacant commercial land sales were presented. All four sale were in 2005. The price per square foot of land ranged from \$6 to \$32. The median price was \$21.29. Subject land was assessed for \$20.13 per square foot where the Assessor found the location good due to the lake proximity. The 2006 assessment relied on the cost approach to value, but value indications from all three approaches were considered. The County's indicators follow. Figures include land and improvements, and by implication personal property except in the cost approach.

Cost	\$725,530
Income	\$320,388 (direct capitalization NOI)
Market #1	\$465,541 (price per unit comparison)
Market #2	\$629,255 (income multiplier)

Citing a lack of recent and reliable income and expense information for motels in McCall,

the County opined the Cost Approach best represents market value for the Brundage Inn. The comparable sales information was not particularly similar to subject's more rustic cabin type development. Respondent exhibit materials included maps, photographs, detailed information on sales and property characteristics and worksheets associated with each approach to value.

### CONCLUSIONS OF LAW

This Board's goal in its hearings is the acquisition of sufficient, accurate evidence to support a determination of fair market value. This Board, giving full opportunity for all arguments and having considered all testimony and documentary evidence submitted by the parties in support of their respective positions, hereby enters the following.

Market value is defined in Idaho Code § 63-201(1):

"Market value" means the amount of United States dollars or equivalent for which, in all probability, a property would exchange hands between a willing seller, under no compulsion to sell, and an informed, capable buyer, with a reasonable time allowed to consummate the sale, substantiated by a reasonable down or full cash payment.

For commercial property valuations, there are three generally recognized approaches to value: the cost, income and market (sales comparison). Assessment is to be accomplished through recognized appraisal methods. Idaho Code § 63-208(1). The Supreme Court has noted in Merris v. Ada County, that the Assessor should consider all factors, known or available to his knowledge, which affect the value of the property assessed. Merris, 100 Idaho 59, 593 P.2d 394 (1979).

On appeal Appellant presents a summary of actual income and expenses for the subject property. The information is not tied to market value through an income approach. Nor is the information specifically used to temper or change the outcome of the income approach processed by the Assessor. The Board is asked to consider whether the subject property's value

could increase substantially more than the same property's income. Many factors such as scarcity, demand, and anticipation can materially affect value. Theoretically, a property's income could increase or decrease, while the value did the opposite in any given year. Typically there is a strong relationship between a property's net income and its market value, which is a key premise underlying the income approach. The Board has studied taxpayer's income statements.

One weakness in Appellant's comparison is the assumption that last year's assessed value was at full market value. The direct or specific relationship between subject's current market value and its income is not addressed. The degree of increase from 2005 to 2006 is very large, especially when viewed as Appellant did in comparison to the annual change in income. However in the final analysis, Appellant failed to complete or posit an independent calculation of market value. There is no reference to current selling prices. The information presented is potentially relevant and helpful, but was not analyzed to present an informed opinion of current market value.

The Assessor's value case was supported by a reasonably complete analysis of value using all three indicators and reference to current land and improvement sales. On appeal with closer scrutiny, an error was identified by the Assessor concerning the age and quality classification on one of the cottages. The error results in a value reduction to the improvements of \$83,250.

Taxpayer on the limited information presented has not met the requisite burden of proof (preponderance) in supporting the value claim. Idaho Code § 63-511(4). The decision of the Valley County Board of Equalization will be modified to reflect the Assessor's most recent calculation of value under the cost approach.

FINAL ORDER

In accordance with the foregoing Final Decision, IT IS ORDERED that the decision of the Valley County Board of Equalization concerning the subject parcel be, and the same hereby is, modified to reflect a decrease in the improvement value to \$187,330 (\$270,580 - \$83,250.) There is no change to land value. Therefore the new total value is \$642,280.

IT IS FURTHER ORDERED that any taxes which have been paid in excess of those determined to have been due be refunded or applied against other *ad valorem* taxes due from Appellant.

DATED this 21st day of March , 2007.